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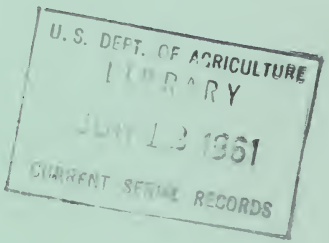
Motortruck Leasing by Farmer Cooperatives



by William C. Bowser, Jr.

Farmer Cooperative Service
U.S. Department of Agriculture

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Information 14

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

JOSEPH G. KNAPP, ADMINISTRATOR

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of the studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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Highlights

Most farmer cooperatives who service their own transportation needs own their equipment. Comparatively few associations lease trucks.

The capital outlay required to purchase and maintain a fleet of trucks, however, has been growing and represents a formidable item on the books of some associations. This is a major reason for the increasing interest in leasing as a possible alternative to purchasing motor equipment needed in the private transportation operation.

This report, then, is in answer to requests from farmer cooperatives for information concerning the various aspects of leasing versus the outright purchase of motortrucks.

Highlights of the report are as follows:

- In most cases, leasing trucks will be more costly, transportationwise, than an efficient ownership operation. This is especially true where the leasing company provides full maintenance service.

- Current working capital position is often the dominant factor in deciding whether to lease or purchase necessary transportation equipment.

- The true value of capital invested in an efficient, well-managed private trucking operation may be grossly underrated. The savings so effected may be considerably higher than if the same money were invested in some other phase of the business.

- Leasing is one way to obtain trucks without tying up association capital. The alternative of borrowing the necessary funds to purchase trucks, however, should be fully explored.

- The frequently mentioned advantage of leasing -- in freeing key personnel for duties more pertinent to the primary business -- is sometimes overemphasized and may be misleading. It is virtually impossible to hold transportation problems aloof from other company activity, or vice versa.

- Leasing trucks may enable a cooperative to predict its transportation costs more accurately.

- Basic operating and cost records are a primary requirement of any motortruck operation and are necessary

in making an intelligent appraisal of alternative methods of operation.

- The real savings under a leasing arrangement may be on overhead, bookkeeping, executive time, and other items often difficult to measure and frequently overlooked or hidden in general accounts.

- The maintenance lease differs from the finance lease largely in that, in addition to providing the truck, the former plan provides full service for maintaining the vehicle in operating condition. This may or may not include fuel, oil, and insurance. Under both plans, control of the driver and the vehicle is in the hands of the lessee.

- Cooperatives operating trucks in interstate commerce should avoid any leasing arrangement that would result in violation of Interstate Commerce Commission regulations.

- Careful and complete appraisal of one's transportation needs is necessary in approaching the problem of leasing versus truck ownership. That method most likely to enhance an association's overall economic position in the long run should be given the greatest consideration.

Motortruck Leasing by Farmer Cooperatives

by William C. Bowser, Jr.
Transportation Branch
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Most farmer cooperatives use the services of for-hire carriers or own and operate trucks, or combine both activities to meet their transportation needs. Comparatively few associations lease trucks at the present time. Interest in leasing motor equipment, however, is growing.

The number of farmer cooperatives that have turned to private carriage -- that is, servicing their own transportation requirements with owned or leased equipment -- has grown rapidly in postwar years. Rising transportation costs and demands of member patrons and customers alike for greater flexibility of transportation services have been important reasons for this.

At the same time, the capital outlay for buying and maintaining trucks has become increasingly larger. Thus, the possibility of conserving capital expenditures through leasing trucks and equipment has intrigued many associations.

In recent years, Farmer Cooperative Service has received a number of requests from cooperatives for information concerning the various aspects of leasing compared to outright purchase of motor trucks. To answer these requests, we made a search of available literature on the subject of leasing. In addition, information was assembled on the experiences of several farmer cooperatives and others who had conducted some investigation of their own in this field of interest.

This report, then, represents an analysis of information obtained from the above sources rather than a research study of specific case material. The principal objective is to present certain factors for farmer cooperatives to consider in their preliminary thinking on the subject of leasing. In addition, the report shows the necessity for farmer cooperatives to develop and maintain accurate cost records as a fundamental basis for determining the transportation system best

suited to the particular needs of a cooperative.

This study is preliminary in nature and assumes that those elements favoring private truck operation over for-hire transportation are already present. The basic issue then becomes one of determining the most satisfactory method of obtaining the equipment necessary to a particular operation -- whether to purchase the motor trucks and equipment or to utilize some form of leasing service.

A major limitation in analyzing the advantages and disadvantages of leasing compared with truck ownership is the present lack of basic cost information and case study material. The Farmer Cooperative Service is initiating a study of private motortruck operations by farmer cooperatives. This study may provide more detailed cost information on both leasing and owning equipment.

Some Basic Considerations

As an industry, the leasing of motor vehicles was relatively unknown before World War II. Car and truck shortages during the War, however, along with gasoline rationing, substantially increased the demand for leased vehicles and rapidly expanded the activity of firms rendering these services. The industry has continued to grow in size in post-war years with automobile leasing becoming rather commonplace.

On the other hand, less than 5 percent of the trucks used by private industry and commerce in this country, or approximately 350,000 vehicles, are operated on a lease basis. The great majority of these are of the straight body type used for product distribution in urban areas. Only a relatively small number of the larger, tractor-trailer trucks for over-the-road, or long-distance hauling, are being leased today.

Truck leasing is basically a substitute for truck ownership. And many of the problems associated with fleet ownership can be eliminated by turning to a professional operator. Leasing, however, is essentially a service function and must be paid for.

As far as transportation costs are concerned, an efficient ownership operation will usually be less expensive than leasing trucks. This is especially true where the leasing company provides full maintenance of the trucks. On the other hand, leasing from a reliable, well-established firm may prove desirable to some associations in terms of total plant operations and under certain financial or administrative conditions.

Whether a cooperative leases or purchases its motortruck fleet depends, therefore, on a number of factors, the importance of each factor

Leasing a truck fleet may prove desirable for some cooperatives in terms of total plant operations and under certain conditions. Considering transportation costs alone, however, leasing trucks is usually more expensive than an efficient ownership operation.

varying according to the peculiarities and needs of each association. These factors include working capital, administration, certainty of costs, and other considerations. In addition, it is particularly important that a cooperative maintain adequate cost records of its trucking operation.

Working Capital

In many cases, the dominant factor where leasing is concerned is the association's current working capital position.

A cooperative may not have the necessary capital to purchase the transportation equipment it needs. Or it may prefer to invest available capital in facilities other than transportation equipment. In such cases, leasing is one way to obtain trucks without tying up association capital. The alternative of borrowing the necessary funds to purchase the trucks, however, should be fully explored.

The advantage of leasing is reduced considerably when working capital is no problem and no other adverse factors prevail. Also, the true value of capital invested in an efficient, well-managed fleet of trucks may be grossly underrated. A highly coordinated private trucking operation with a reasonably balanced two-way movement of freight may result in greater savings than if the cooperative invested the same money in other ways. Occasionally, however, the uniqueness of a cooperative's marketing situation, as well as other elements, may make leasing attractive. In addition, an existing truck fleet can be a

tempting source of capital. Some co-ops have sold their trucks to a leasing firm and continued their trucking operations on a lease basis.

Many of the larger associations with sizable over-the-road operations generally find they are able to operate their fleets below the costs of leasing arrangements offered them. This tends to be less true, however, for the smaller associations operating only a few units, as they lack the advantages of volume purchasing, and trade-in prices are generally less favorable.

Working capital, or the relationship between current assets and current liabilities, is an important indicator of an association's financial position and general credit standing. Before deciding to lease primarily as a means of obtaining or conserving working capital, however, a cooperative can consult the District Bank for Cooperatives as well as local credit agencies regarding the advisability of such a step.

Administration

One of the advantages frequently associated with leasing motortrucks is that it eliminates much of the responsibility of supervising an operation foreign to the primary business. It has been pointed out, however, that this advantage is often overemphasized and is, in effect, somewhat misleading. It is virtually impossible to completely separate transportation problems from other association activities or vice versa.

Leasing will usually reduce the workload of the traffic department in purchasing, operation, and maintenance of the fleet. It is sometimes possible, however, to utilize other departments within the firm -- for example, the purchasing and accounting departments -- to meet some of the needs of the transportation department with relatively little additional expense.

Basically, the traffic department is a service unit and works closely with various other departments or divisions of the association. Therefore, responsibilities associated with fleet ownership vary from one organization to another, depending on size of the association, its policies, quality of personnel, and the nature of its operation.

Quite often transportation responsibilities are assigned to a person who has other important duties in the association. Unless care is taken, some of his activities may suffer because of lack of time or attention. Where the size of the business warrants a traffic department, whether it be one man or many, this would tend to be less of a problem. This depends, of course, on the ability of the traffic manager, as well as responsibilities assigned to him.

Prediction of Costs

Prediction of costs is of growing importance to all businesses. Leasing often enables a firm to more accurately predict its transportation costs, and some

companies operating on narrowing margins lease their equipment partly for this reason.

There is another advantage to leasing equipment. When extra or special equipment is needed in peak or unusual periods of activity, rental[1] costs can be more readily absorbed than if the equipment had to be purchased to meet these needs. Some associations make a practice of purchasing a "core" fleet of trucks and expanding the fleet with rented equipment to take care of peak periods.

Other Considerations

Leasing generally makes it easier to get into a private trucking operation. On the other hand, most lease arrangements are made to cover a specific period of time, depending generally on the size and type of vehicles required and their cost. However, a lease can usually be cancelled by purchasing the trucks being leased.

The general appearance of a cooperative's vehicles is often important. Company-identified motor equipment not only serves as a medium for advertisement but also gives general introductory impressions of the association. Many associations do not operate dated equipment for this reason, feeling that customer relations may be adversely affected.

While it is sometimes simpler to maintain good vehicle appearance through leasing, there is no reason why a privately owned fleet cannot be kept in excellent condition. There may be a greater tendency, however, for association shops to get a little lax, since transportation is not the primary activity of the firm.

A cooperative contemplating changing its method of operation must carefully consider all factors related to the change. Will current operating costs be reduced -- in both local and line-haul trucking? Are there any real tax advantages? Is depreciation on trucks being accurately reflected? Will accounting costs and bookkeeping overhead be reduced? What about financial flexibility and association credit? How will such factors as management time, efficiency and morale, accident rate, goodwill, and union problems be affected?

Determining Transportation Costs

A practical approach to the problem of comparing truck ownership and leasing costs is to first determine the true transportation cost of current operations. This cost can then be compared with costs under whatever other arrangement is being considered.

[1] Renting generally refers to a short-term period, such as a day, a week, or a month, whereas leasing usually involves a long-term contract of one year or more.

Adequate Records

Without basic cost information, an association contemplating a change from truck ownership to leasing, or vice versa, will find it extremely difficult to make an intelligent appraisal of the alternative methods of operations. Adequate record keeping is a primary requirement of any motortruck operation.

Some associations, of course, have had no previous experience in operating and maintaining a fleet of trucks, or even a single vehicle. Where such is the case, it would be wise to consult with several nearby firms, similar in size and operation, that do keep records of their truck operations.

The difficulty in appraising transportation costs under private carriage may be aggravated by bookkeeping and costing practices which do not accurately reflect total costs to the association. Many costs of a transportation sideline may be hidden in "general account" terminology. It is quite possible that many cooperatives that have not been alerted to the problem do not know what their transportation services are costing them.

Thus, the real savings in a leasing arrangement may be on overhead, bookkeeping, executive time, tax advantages, and other items often difficult to measure and frequently overlooked. Certain transportation cost items which may be hidden in general accounts are shown in table 1.

It is important that the association considering leasing recognizes these potential hidden cost areas in making any comparison with its current operation. These are costs, however, which

The great majority of trucks under lease are straight body types used for product delivery or distribution.

Table 1.--Certain transportation cost items and general accounts in which they sometimes fall

Transportation items	General accounts
Interest on investment in vehicle	Interest payments
Cost of management time	Management salaries
Cost of parts and inventory	Miscellaneous expense
Garage or parking space	Real estate
Property taxes on trucks and inventory	General taxes
Utilities, heat, and telephone for garage	Miscellaneous expense
Fringe benefits to garage employees	General expense account not allocated to trucks
Vehicle insurance	General insurance expense
Vehicle licenses	Prepaid licenses
Truck painting and lettering	Advertising and sales promotion
Clerical work	Salaries

must be paid ultimately by the association whether it leases its equipment or owns it outright.

Outside Appraisal

Most truck leasing firms have trained representatives whose sole function is to study and analyze prospective lessee's transportation operations and costs. This type of information, of course, is needed by the lessor in developing a leasing arrangement not only attractive to the client but also profitable to himself.

Transportation cost analyses developed by leasing firms for prospective clients often include certain cost items frequently overlooked by the lessee (table 1) but which represent true costs of operating a fleet of trucks. While such costs may be on the liberal side, they are at least useful for comparing with a cooperative's own, and frequently conservative, analysis of operations.

The vehicle cost analysis sheet shown in Appendix I, with certain exceptions, is similar to forms used by truck leasing firms. Completion of this form by association management provides a fairly good appraisal of costs of privately owned truck operations, exclusive of wages for drivers and helpers.

Careful and complete appraisal of transportation needs is necessary in approaching the overall problem.

There is little room for snap decisions. Outside help, such as a transportation consultant gives, can be valuable.

Transportation is a vital tool in the assembly and distribution phases of many cooperative operations. In the final analysis, whether to purchase or lease motortrucks should depend on which method will most likely enhance the association's overall economic position over the long run.

Leasing Plans

Lessors of transportation equipment can normally save substantial sums on volume purchasing and large scale operations compared with the average motortruck operator. It is largely for this reason that a leasing firm is able to offer leasing arrangements financially attractive to some shippers.

Two main types of plans are used in leasing trucks and equipment. They are the maintenance lease plan and the finance lease plan. Both have their advantages and disadvantages.

Maintenance Lease

Under the maintenance lease plan, the user, or lessee, leases trucks under a long-term agreement from the leasing firm, or lessor. The lessor supplies full service for the maintenance of the trucks -- repairs, tires, lubrication, and garaging. The lessor may or may not supply fuel and oil.

Most leasing companies do not provide cargo insurance, leaving that to the lessee. They do, however, usually insure the equipment and often provide public liability insurance. Some lessees provide their own public liability insurance, because they feel that public liability limits of the leasing firm do not meet their needs.

In other words, the lessor furnishes nearly everything except the driver, who is provided by the lessee. The control of the vehicle is solely in the hands of the lessee.

Finance Lease

The finance plan differs from the maintenance plan mainly in one principal respect: In addition to providing the driver, the lessee maintains the vehicle, covering all repairs, gas and oil, lubrication, tires, garaging, and insurance. The lessor provides only the truck, covering the capital investment in the vehicle.

This plan is generally used where the lessee prefers to provide his own maintenance services and garaging. Over-the-road shippers often prefer this plan in order to have closer control of their equipment, since much of their service and repair needs

occur away from their base terminals.

Short-term leasing of trucks, often called truck rental, normally is available to customers using the above plans. The vehicle is contracted for a day, week, or month to cover peak periods or emergency operations.

While these are the basic plans normally used in truck leasing, the final contract between a lessor and lessee is actually a mutually agreeable "arrangement" fitted to the specific needs of the individual association. It is desirable, however, to have any leasing arrangement considered by an association checked by an attorney familiar with all pertinent Federal and State regulations.

Conforming to I. C. C. Regulations[2]

Shippers in interstate commerce must conform to certain rules and regulations established by the Interstate Commerce Commission (I.C.C.). Cooperative associations, under the definition in the Agricultural Marketing Act of 1929, as amended, are not subject to economic regulation by the Commission but only to safety regulations which apply to all motor carriers. Therefore, when a cooperative leases trucks it should avoid any contractual agreement which would tend to nullify its status in this regard.

Generally, a cooperative may engage in a bona fide lease of truck equipment from an equipment owner who is not

[2] Raymond J. Mischler, Office of the General Counsel, U.S. Department of Agriculture, Washington, D.C., assembled the statutory citations used here. This section concerns movements in interstate commerce only and does not take into account the regulations of any particular State.

Cooperatives leasing trucks in interstate commerce should avoid any leasing arrangement that would result in violation of Interstate Commerce Commission regulations.

an I.C.C. authorized contract or common carrier for a single trip, a series of trips, or a specified term, subject to earlier termination by either party.

The problem, however, is to enter into a lease and then function under it in such a way that the resulting transportation, as a matter of law, will constitute private transportation of the cooperative, not for-hire transportation by the lessor.

In order to avoid a violation of the I.C.C. Act, the following conditions regarding the leasing of truck equipment should be complied with:

(1) The lease agreement should provide that the driver of the vehicle (although he may be the owner) shall be an employee of the cooperative during such periods of time as he is actually in its service, and shall be under the direction and control of the cooperative with respect to such matters as hours of duty, loading, unloading, reloading, departure, return, route to be used, and rest periods, and the cooperative shall pay all employment taxes.

(2) The lease should leave no doubt that the lessee has full and complete control of and responsibility for the vehicle during the period of the lease.

(3) The insurance clause should clearly show who bears the cost of each type of insurance. A provision that the lessor will provide and pay for collision, fire, and theft insurance and the lessee cargo, property damage, and public liability insurance would be appropriate and consistent with the respective interests of the parties. It is understood that most insurance companies will provide a rider to the lessor's existing policies at little or no additional cost which will provide protection for the lessee.

(4) The lease should be specific on the matter of maintenance expenses and operating expenses.

(5) The lease should set forth who will be responsible for paying penalties for traffic violations and overloads. If deemed legally feasible, these should be made the responsibility of the employee since he should have express instructions against such violations.

(6) The lease should specify who has the responsibility for compliance with motor carrier safety regulations.

The omission of a statement concerning the intended use of the vehicle is not considered a material defect; nevertheless, the lease in each instance would be improved by stating the intended use. Space could be provided for such a description.

Trip-Leasing

Another type of leasing arrangement cooperatives may use is a lease of truck equipment either to or from an I.C.C. authorized common or contract carrier. The so-called trip-leasing law (49 U.S.C. 304(e) and (f)) and the regulations thereunder, which became effective February 1, 1957, are applicable to this type of arrangement. The 30-day minimum requirement might or might not apply, however.

There is an express exemption in the law on this point, which, of course, is also recognized in the regulations, where the cooperative is leasing to an authorized carrier. Section 207.4 (a), (3), (i) of the regulations provides:

> "(i) Equipment used in agricultural perishable operations. That such 30-day minimum period shall not apply to equipment, with driver, of a farmer, agricultural cooperative or private carrier of certain perishable property or which is exempt under section 203(b)(6) of the act, to the extent that such equipment falls within the terms of the exceptions of section 204(f)(1) or (2) of the Act (49 U.S.C. 304(f)), and is utilized in accordance therewith; provided, that prior to the execution of the lease, the authorized carrier receives and retains a statement signed by the owner of the equipment, or someone duly authorized to sign for the owner, authorizing the driver to lease the equipment for the movement or movements contemplated by the lease, certifying that the equipment so leased meets the qualifications enumerated in section 204 (f)(1) or (2) of the Act, and specifying the origin, destination, and the time of the beginning and ending of the last movement which brought the equipment within the purview of section 204 (f)."

In administrative rulings No. 103 and No. 104, the Bureau of Motor Carriers, I.C.C., has included questions and answers which elaborate on this exemption. This information is given as Appendix II, page 14, for those interested.

When a cooperative meets the standards for exemption from the I.C.C. Act, these regulations and interpretations mean that the cooperative can make a single-trip lease to an authorized carrier of a truck which it controls and operates for it to be used under the following circumstances:

1. If such truck has completed a movement of ordinary livestock, fish, or "exempt" agricultural commodities, the carrier may make--

    a. A single loaded movement in any direction, or

b. One or more of a series of movements, loaded or empty, in the general direction of the general area in which the equipment is based, or

c. First a movement described in a. and then a movement as described in b.

2. If such truck has not been used as described in 1, above, any movement in which it is used by the authorized carrier must be in the general direction of the general area in which the truck is based.

Where a cooperative is leasing from an authorized carrier, that carrier will have the principal responsibility for compliance with section 207.6, of the regulations which prescribes the requirements for such leasing.

Appendix I

VEHICLE COST ANALYSIS SHEET[1]
(Year)

Fixed costs

Capital investment ($)

Interest on investment	____
Carrying charges if any	____
Depreciation on vehicles	____
Personal property taxes (city, State, and county)	____
Fire and theft insurance on vehicles	____
Public liability and property damage insurance	____
Collision insurance	____
Sign and paint work	____
License tags and inspections	____
Garage rent (if owned, include insurance, taxes, maintenance and depreciation of building)	____
Depreciation of garage and shop equipment, including replacement of lost and broken tools	____
Depreciation on special equipment (tarpaulins, heaters, refrigeration units, fire extinguishers, etc.)	____
Garage supplies, work uniforms, and laundry	____
Garage supervision	____
Garage light, heat, water, and telephone	____
Office work, materials, and equipment	____
Administrative costs (include executive time spent in general administration of truck operations)	____
Workmen's compensation taxes and insurance, garage liability insurance, social security tax, old age benefit tax, and fringe benefits for garage employees	____
Other fixed costs	____
Total fixed costs	____

Operating costs

Gasoline	____
Oil	____
Grease	____
Washing and polishing	____
Tire and tube costs, including repairs and recaps	____
Replacement and repair parts for vehicles	____
Road service	____
Repairs done outside of own shop	____
Garage labor in own shop	____
Antifreeze and tire chains	____
Other operating costs	____
Total operating costs	____
Total vehicle costs per annum	____

[1] Wages and other expense items for drivers are not included.

Appendix II

EXCERPTS FROM I.C.C. ADMINISTRATIVE RULINGS NO. 103 and 104

The following questions and answers from I.C.C. Bureau of Motor Carriers administrative ruling No. 103, ex parte No. MC-43, January 24, 1957, [1] are related to leasing of truck equipment by farmer cooperatives.

"Question 6: What vehicles used in agricultural or perishable operations come within the exception to the 30-day requirement in Section 207.4 (a)(3)(i)?

"Answer: Provided the statement required by Section 207.4(a)(3)(i) is obtained, the 30-day requirement does not apply to: (1) Any vehicle, regardless of who owns or is operating it, which has completed a movement in private or for-hire carriage of property consisting of ordinary livestock, fish (including shell fish), or agricultural (including horticultural) commodities (not including manufactured products thereof), and is next used by an authorized carrier:

(a) In a single loaded movement in any direction, or

(b) In one or more of a series of movements, loaded or empty, in the general direction of the general area in which the equipment is based, or

(c) In first a movement described in (a) above, and then a movement described in (b) above.

"(2) Any vehicle described in (a), (b), or (c) below, which is used by an authorized carrier in a single movement or in one or more of a series of movements, loaded or empty, in the general direction of the general area in which the equipment is based:

(a) Any vehicle controlled and operated by a farmer when used in the transportation of his agricultural (including horticultural) commodities or products thereof, or in the transportation of supplies to his farm.

(b) Any vehicle controlled and operated by a cooperative association or federation of cooperative associations of the kind referred to in Section 203(b)(5) of the Interstate Commerce Act.

[1] See Second Supplemental Report of the I.C.C. dated February 16, 1959, in Ex Parte No. MC-43, in which this Bureau ruling was disapproved by the Commission only to the extent that it implied that "ordinary livestock" as used in 49 U.S.C. 303(b)(6) was not "perishable property" within the meaning of 49 U.S.C. 304(f)(1). In this report the I.C.C. interprets "fresh meat and other perishable products of livestock" as coming within the term "perishable products." (See 49 C.F.R. 207.10.) As to the commodities currently included in the scope of 49 U.S.C. 303(b)(6), as this section was amended by the Transportation Act of 1958, see I.C.C. Bureau of Motor Carriers Ruling No. 107, March 19, 1958, as modified by Ruling No. 110, September 26, 1958.

(c) Any vehicle of a private carrier of property used regularly in the transportation of property of a character embraced within Section 203(b)(6) of the Interstate Commerce Act, or perishable products manufactured from perishable property of a character embraced within Section 203 (b)(6).

"It will be seen that if a vehicle qualifies under (1) above, that is, has completed a movement of ordinary livestock, fish, or agricultural commodities, such as are referred to in Section 203(b)(6) of the Act, the first movement in which it is used by the authorized carrier may be in any direction, whereas, if the vehicle has not completed a movement of such property, but nevertheless qualifies under (2) above, any movement in which it is used by the authorized carrier must be in the general direction of the general area in which the vehicle is based. In returning to the general area of its base, all such vehicles may use any reasonably direct route.

"Question 7: What is the meaning of the language 'perishable products manufactured from perishable property of a character embraced in Section 203(b)(6)' as it is used in the answer to Question 6 above and in Section 204(f)(1) of the Interstate Commerce Act?

"Answer: 'Perishable' is interpreted to mean inherently subject to rapid deterioration, decomposition, or decay. Canned goods, dried dehydrated and preserved goods, bottled goods, and the like, are not perishable products. Frozen goods, or other goods which must be kept under refrigeration to avoid rapid deterioration, decomposition, or decay, are perishable products. To be within the quoted language, the products must themselves be perishable and must be manufactured from property that is both perishable and of the kind embraced in Section 203(b)(6) of the Act. Thus, perishable products manufactured from fresh fish (including shell fish), from fresh fruits and fresh vegetables, from fresh eggs and fresh poultry, and from other perishable commodities embraced in Section 203(b)(6) of the Act, are within the quoted language. Products manufactured from grain are not within that language because grain is not perishable. Products manufactured from meat are not within the quoted language because meat is not embraced in Section 203(b)(6) of the Act."

Also, in administrative ruling No. 104, dated June 6, 1957, the following question and answer are given concerning trip-leasing by farmer cooperatives:

"Question 7: When an authorized carrier trip-leases a vehicle under the provisions of Section 207.4(a)(3)(i) and operates it in a movement to a point beyond the general area in which the vehicle is based, may the same carrier or another authorized carrier

then trip-lease the vehicle for a movement in the general direction of that base area?

"Answer: In interpreting Section 204(f)(1) and (2) of the Act, on which this provision of the leasing regulations is based, it is necessary to bear in mind that the purpose of Congress was to provide a means whereby vehicles covered by those sections having made an outbound movement in the service of their owners may be trip-leased to authorized carriers to enable them to have revenue hauls back to their base area. A vehicle qualified under Section 204(f)(2) by reason of having completed a movement of ordinary livestock, fish (including shellfish), or unmanufactured agricultural or horticultural commodities may next be trip-leased by an authorized carrier in a single loaded movement 'in any direction' in addition to subsequent movement or movements in the general direction of the base area, hence where the first movement of such vehicle goes beyond the base area, there may be additional trip-lease movement or movements in the direction of the base area, but once these additional movements reach or pass the base area, the vehicle may not again be trip-leased to an authorized carrier until it has completed another qualifying outbound trip in the service of its owner. A vehicle which does not qualify for trip-leasing under Section 204 (f)(2) as explained above, but does qualify under Section 204 (f)(1) by reason of its being operated by a farmer or cooperative association, or regularly used by a private carrier of the perishable products described in the latter section, is not permitted a first trip-lease movement in any direction but only movements in the general direction of its base area, hence when the first or subsequent movements reach or pass the owners' base area, the vehicle may not again be trip-leased to an authorized carrier until it has been returned to the qualifying operations of its owner."

Other Publications Available

The Story of Farmers' Cooperatives, Educational Circular 1.

Piggyback Transportation for Pacific Northwest Cooperatives, General Report 86. William C. Bowser, Jr.

Loss and Damage in Handling and Transporting Hogs, Marketing Research Report 447. Joseph E. Rickenbacker.

Cooperative Fertilizer Transportation in the North Central States, General Report 7. Claude L. Scroggs and Robert J. Byrne.

Handling Conditions and Practices Causing Bruises in Cattle, Marketing Research Report 346. Joseph E. Rickenbacker.

Causes of Losses in Trucking Livestock, Marketing Research Report 261. Joseph E. Rickenbacker.

Losses of Livestock in Transit in Midwestern and Western States, Marketing Research Report 247. Joseph E. Rickenbacker.

Transportation of Rice in the South -- An Economic Survey, Marketing Research Report 140. Ezekiel Limmer and Robert J. Byrne.

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